

Message Text

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17

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TO SECSTATE WASHDC 6345

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AMCONSUL OPORTO

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TAGS: ECON, EINV, EFIN, PGOV, PO

SUBJ: SPEECH BY FINANCE MINISTER

1. IN VIEW OF FINANCE MINISTER (AND SOCIALIST PARTY (PS) LEADER) SALGADO ZENHA'S FORTHCOMING VISIT TO U.S., REMARKS HE MADE MARCH 11 TO LUNCHEON OF LISBON DIPLOMATIC CORPS MAY BE OF INTEREST. HIGHLIGHTS FOLLOW.

2. HISTORICAL ECONOMIC DEPENDENCE: IN RECENT CENTURIES PORTUGAL NEVER FOLLOWED POLICY OF ECONOMIC INDEPENDENCE. SINCE 18TH CENTRY, COUNTRY HAS DEPENDED ON FOREIGN REMITTANCES. FIRST WAS BRAZILIAN GOLD, THEN REMITTANCES FROM EMIGRANTS TO BRAZIL, AND STILL LATER OTHER REMITTANCES AND FINANCIAL RECEIPTS (INCLUDING TOURISM). AFTER BRAZILIAN INDEPENDENCE, PORTUGAL BECAME, IN LARGE MEASURE, BRAZILIAN FINANCIAL COLONY.

3. STRUCTURAL VICES: ECONOMIC PROBLEMS WERE ALMOST ALWAYS SOLVED BY EMIGRATION OF AND REMITTANCES FROM COUNTRY'S UNCLASSIFIED

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YOUNGEST AND MOST DYNAMIC PEOPLE. RESULT WAS "ABANDONED"

AGRICULTURE, INFANT INDUSTRY, AND SUCH STRUCTURAL VICES AS HIGHLY DEVELOPED FINANCIAL INSTITUTIONS, PERMANENT TRADE DEFICITS, AND CERTAIN RELUCTANCE TO USE COUNTRY'S OWN RESOURCES. POOR AGRICULTURAL PRODUCTION CAUSED SUPPLY CRISES IN ABNORMAL PERIODS, E.G., END OF TWO WORLD WARS. DESPITE CERTAIN POST-WAR INDUSTRIAL BOOM, AND REDIRECTION OF EMIGRATION TOWARD WESTERN EUROPE, ARCHAIC STRUCTURE WAS MAINTAINED, E.G. COUNTRY STILL IMPORTS HALF OF ITS FOOD.

4. CURRENT ECONOMIC SITUATION: BY END OF 1973 PORTUGUESE ECONOMY WAS HIT BY WORLD RECESSION, AND BY EARLY 1974 FOREIGN RECEIPTS CEASED TO COMPENSATE FOR TRADE DEFICIT. BALANCE OF PAYMENTS DEFICIT WAS, BY APRIL 25, HALF OF TOTAL FOR THAT ENTIRE YEAR. GROWING UNEMPLOYMENT HAS SINCE BEEN AGGRAVATED BY RETURN OF A HALF MILLION REFUGEES AND 50-60,000 CIVIL SERVANTS. IN 1975 THERE WERE DEEP PRODUCTION DROPS IN CERTAIN SECTORS (13 PERCENT ON CONSTRUCTION, 20 PERCENT IN TEXTILES). NOVEMBER 25 WAS FOLLOWED BY REINFORCEMENT OF DEMOCRATIC AUTHORITY AND RE-ESTABLISHMENT OF GENERAL CLIMATE OF CONFIDENCE IN THE FUTURE. PRODUCTION REVIVED IN VARIOUS SECTORS (CONSTRUCTION, STEEL, CEMENT, TEXTILES), AND BANK DEPOSITS AND FOREIGN RECEIPTS INCREASED CONSIDERABLY.

5. DIVIDED GOVERNMENT: VARIOUS POWER CENTERS AND CONFUSION IN FUNCTIONING OF ADMINISTRATIVE MECHANISMS REMAIN, BUT THERE IS GENERAL FEELING THAT TIME HAS COME TO CEASE MAKING REVOLUTION AND TO START MAKING A STATE. PRESENT GOVERNMENT OFTEN FUNCTIONS MORE LIKE AN ASSEMBLAGE OF MINISTRIES OR A MINI-PARLIAMENT THAN A COHESIVE GOVERNMENT WITH COMMON GOAL. COMPROMISE POLITICAL PROGRAM IS NOT ALWAYS RESPECTED AND EVEN PUT INTO QUESTION BY SOME PARTIES. AGRARIAN REFORM WAS BADLY IMPLEMENTED. IMPRESSION EXISTS THAT GOVERNMENT THINKS MORE ABOUT ELECTIONS THAN GOVERNING.

6. INCOMES/PRICES POLICY: GOVERNMENT HAS NOT YET BEEN ABLE TO SET A JUST AND ACCEPTABLE POLICY. WITHOUT SUCH A POLICY WE CANNOT PROCEED. EXAMPLE OF IMPROPER INCOME DISTORTION IS HEAD OF PROVINCIAL FINANCES OFFICE WHO EARNS LESS THAN LOWEST ATTENDANT, AND ONLY SLIGHTLY MORE THAN CLEANING WOMAN, OF LOCAL BRANCH OF COMMERCIAL BANK.

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7. CHANGE AND FOREIGN INVESTMENT: PORTUGUESE CHANGE IN NATIONAL PATH FOLLOWS UN CALL FOR DEVELOPMENT THROUGH INCREASED CHANGE AS WELL AS ECONOMIC GROWTH. NATURALLY, FOREIGN INVESTORS ARE DESIRED AND WILL BE PROTECTED, FOR WHICH THE FOREIGN INVESTMENT CODE WILL SOON BE PUBLISHED. CARLUCCI

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